

CITY OF KINGSFORD
AUDITED FINANCIAL STATEMENTS
KINGSFORD, MICHIGAN

Fiscal Year Ended June 30, 2008

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Certified Public Accountant

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INDEPENDENT AUDITOR'S REPORT

The Honorable Mayor and City Council
City of Kingsford
Kingsford, Michigan 49802

I have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Kingsford, Michigan, as of and for the year ended June 30, 2008, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's elected officials and management. My responsibility is to express an opinion on these financial statements based on my audit. I did not audit the financial statements of the Kingsford Housing Commission, a discretely presented component unit. Those financial statements were audited by other auditors whose report thereon has been furnished to me, and my opinion, insofar as it relates to the amounts included for the Kingsford Housing Commission is based on the report of the other auditors.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinions.

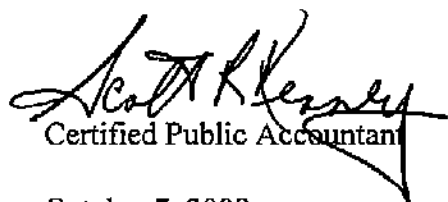
In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Kingsford, Michigan, as of June 30, 2008, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis and Budgetary Comparison Schedules as listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. I and the other auditors have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, I did not audit the information and express no opinion on it.

Member
American Institute of Certified Public Accountants
Michigan Association of Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

My audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the City of Kingsford, Michigan's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements are presented for additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements have been subjected to auditing procedures applied by me and other auditors in the audit of the basic financial statements and, in my opinion, based on my audit and the report of other auditors, are fairly presented in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, I express no opinion on them.


Certified Public Accountant

October 7, 2008

CITY OF KINGSFORD
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2008

Using this Annual Report

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities provide information about the activities of the City as a whole and present a longer-term view of the City's finances. Fund financial statements tell how these services were financed in the short-term, as well as what remains for future spending. Fund financial statements also report the City's operations in more detail than the government-wide financial statements.

The City as a Whole

The City's combined net assets increased 0.2% from a year ago - increasing from \$14.867 million to \$14.899 million. As we look at net assets in the governmental activities separately from that in the business-type activities, we can see that the governmental activities experienced a decrease of approximately \$364,000 during the year (3.4% decrease). This is primarily attributed to capital outlay in the form of street construction and improvements done in conjunction with a major land development within the city and the purchase of a new public works truck. The business-type activities experienced a \$396,000 increase in net assets, primarily as a result of maintaining costs, having an adequate charge structure and making advanced payments on long term debt. In a condensed format, the table below shows a comparison of the net assets (in thousands of dollars) as of the financial statement date to the prior year:

	Governmental Activities		Business-Type Activities		Total	
	2008	2007	2008	2007	2008	2006
Current Assets	\$ 3,885	\$ 3,845	\$ 2,150	\$ 1,075	\$ 6,035	\$ 4,920
Noncurrent Assets	<u>9,500</u>	<u>9,545</u>	<u>3,012</u>	<u>3,824</u>	<u>12,512</u>	<u>13,369</u>
Total Assets	\$ 13,385	\$ 13,390	\$ 5,162	\$ 4,899	\$ 18,547	\$ 18,289
Long-Term Debt Outstanding	\$ 2,238	\$ 2,222	\$ 145	\$ 282	\$ 2,383	\$ 2,504
Other Liabilities	<u>758</u>	<u>415</u>	<u>507</u>	<u>503</u>	<u>1,265</u>	<u>918</u>
Total Liabilities	<u>\$ 2,996</u>	<u>\$ 2,637</u>	<u>\$ 652</u>	<u>\$ 785</u>	<u>\$ 3,648</u>	<u>\$ 3,422</u>
Net Assets						
Invested in Capital Assets—Net of Debt	\$ 7,423	\$ 7,423	\$ 2,691	\$ 2,191	\$ 10,114	\$ 9,614
Restricted	362	121	0	1,137	362	1,258
Unrestricted	<u>2,604</u>	<u>3,209</u>	<u>1,819</u>	<u>786</u>	<u>4,423</u>	<u>3,995</u>
Total Net Assets	\$10,389	\$10,753	\$ 4,510	\$ 4,114	\$14,899	\$14,867

Unrestricted net assets—the part of net assets that can be used to finance day to day operations, decreased by \$605,000 for the governmental activities. This represents a decrease of approximately 18.9%. The current level of unrestricted net assets for our governmental activities stands at \$2.604 million, or about 62.99% of expenditures.

CITY OF KINGSFORD
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2008

The following table shows the changes of the net assets (in thousands of dollars) as of the current date to the prior year:

	Governmental Activities		Business-Type Activities		Total	
	2008	2007	2008	2007	2008	2007
Program Revenues						
Charges for Services	\$ 179	\$ 96	\$ 720	\$ 684	\$ 899	\$ 780
Operating Grants and Contributions	479	489	0	0	479	489
Capital Grants and Contributions	8	18	60	0	68	18
General Revenues						
Property Taxes	\$ 2,177	\$ 2,187	\$ 0	\$ 0	\$ 2,177	\$ 2,187
State-Shared Revenues	612	612	0	0	612	612
Unrestricted Investment Earnings	379	496	67	99	446	595
Fines and Forfeitures	19	0	0	0	19	0
Reimbursements and Other	26	56	0	0	26	56
Sale of property	75	703	0	0	75	703
Other	39	38	0	0	39	37
Transfers	<u>(223)</u>	<u>(114)</u>	<u>112</u>	<u>0</u>	<u>(111)</u>	<u>(114)</u>
Total Revenues	\$ 3,770	\$ 4,580	\$ 959	\$ 783	\$ 4,729	\$ 5,363
Program Expenses						
General Government	\$ 536	\$ 523	\$ 0	\$ 0	\$ 536	\$ 523
Public Safety	1,544	1,452	0	0	1,544	1,452
Public Works	1,606	1,626	0	0	1,606	1,626
Insurance and Benefits	248	347	0	0	248	347
Recreation & Culture	100	108	0	0	100	108
Other	0	0	0	0	0	0
Interest on Long-Term Debt	100	102	0	0	100	102
Water & Sewer	<u>0</u>	<u>0</u>	<u>563</u>	<u>589</u>	<u>563</u>	<u>589</u>
Total Expenses	\$ 4,134	\$ 4,158	\$ 563	\$ 589	\$ 4,697	\$ 4,747
Change in Net Assets	\$ (364)	\$ 422	\$ 396	\$ 194	\$ 32	\$ 616

The City's net assets continue to remain healthy. The maintaining of expenses at a low level of growth coupled with increased revenues are the primary contributors to this growth.

CITY OF KINGSFORD
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2008

Governmental Activities

The City's total governmental revenues decreased by approximately \$810,000. This is attributed to the sale of land during the prior year which was not repeated this year along with larger outgoing transfers during the current fiscal year. Property taxes increased by allowable rate of inflation while state shared revenues did not change.

Cash expenditures increased slightly during the year, with insurance and benefits dropping most significantly but only because a portion of these costs were assigned to other departments. Ordinary operating costs increased by inflationary rates during the year.

Business-Type Activities

The City's business-type activities consist of the Water and Sewer Funds. The City provides water to residents, which comes from the City's own water system. The City also provides sewage treatment to residents through the Iron Mountain-Kingsford Sewage Treatment Authority. The Water Fund revenues increased slightly during the year due to a small increase in water usage. The expenses in the Water Fund remained nearly unchanged with cash expenses rising slightly. This increase was more than offset by a decrease in depreciation. The result was a decrease in the net operating loss of approximately \$21,000 and brings the fund profitable status during the year ended June 30, 2008. The Sewer Fund revenues rose during the year, also due to increased sales of water. Expenses rose dramatically with substantially more equipment rental being incurred than in prior years. The Sewer Fund again achieved a significant operating profit. A change in interpretation of the restriction placed on Sewer Fund earnings has resulted in the formerly restricted funds being released for any Sewer Fund usage.

The City's Funds

Analysis of the City's major funds begins on page 13, following the entity-wide financial statements. The fund financial statements provide detailed information about the most significant funds, not the City as a whole. The City Council creates funds to help manage money for specific purposes as well as to show accountability for certain activities, such as a special property tax millage. The City's major funds for 2007-2008 include the General Fund, Major Street Fund, Local Street Fund, Revolving Loan Fund (formerly the Small Cities Grant Fund), Water Utility Fund and Sewer Utility Fund.

The General Fund pays for most of the City's governmental services. The most significant are general maintenance of city property and buildings, maintaining the City's equipment, police and fire services and general administration. These services are primarily funded from property taxes assessed to the residents of the City and revenues shared with the State of Michigan.

CITY OF KINGSFORD
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2008

General Fund Budgetary Highlights

Over the course of the year, the City Council did not amend the budget to take into account events during the year. Various expenditure categories were adjusted by amounts aggregating a like amount resulting in no change to the original net budget.

Capital Asset and Debt Administration

At the end of 2007-2008, the City had nearly \$15,500,000 invested in a broad range of capital assets, including snow removal equipment, police and fire equipment, land and buildings and water and sewer lines. In addition, the City has invested significantly in roads and buildings within the City. The cost value of the roads at the end of the 2007-2008 fiscal year exceeded \$6.951 million. These roads are maintained by the City with the costs recorded in the major and local street funds.

During the year, the City and the United State Department of Agriculture, Rural Development Agency (Rural Development), agreed to accelerate the repayment schedule for the outstanding water bond. This was requested by Rural Development because of the positive cash position the City has been able to maintain. The bonds will be repaid in their entirety within three years according to the agreement and the financial statements have been changed to reflect this agreement.

The City is currently looking into financing avenues available to further enhance the City's sewer system. The project is expected to cost approximately \$2 million and will be financed from current cash reserves and additional bonded debt.

Economic Factors and Next Year's Budgets and Rates

The City's budget for 2008-2009 calls for a decrease on property tax rates to fund the Police and Firemen's Pension, maintaining the general operating millage and decreasing the debt millage designated to repay the bonds on the Public Works Facility. The decrease in the operating millage rate can be accomplished because of the controls that are being placed on governmental fund expenditures and limiting capital expenditures. Because of the impact of Proposal A, however, the City needs to continue to watch its budget very closely. The state-wide tax reform act limits growth in taxable value on any individual property to the lesser of inflation or 5%. Because some properties increase in value by less than the inflationary rate, the mathematical result of this is that the total taxable value for the City will grow at a rate less than inflation, before considering new property additions. The Police and Fireman's Pension expense is calculated by actuarially determined amounts and must be funded per Michigan statute.

CITY OF KINGSFORD
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2008

Contacting the City's Management

This financial report is intended to provide the citizens, taxpayers, customers, and investors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the Manager's office.

CITY OF KINGSFORD
GOVERNMENT WIDE STATEMENT OF NET ASSETS
June 30, 2008

		PRIMARY GOVERNMENT			COMPONENT UNIT
		GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL	
ASSETS					
CURRENT ASSETS					
Cash and equivalents	\$	2,813,408	\$ 1,975,256	\$ 4,788,664	\$ 33,215
Receivables - net		481,642	175,402	657,044	4,435
Investments		0	0	0	323,715
Prepaid expenses		0	0	0	7,917
Internal balances		<u>589,598</u>	<u>0</u>	<u>589,598</u>	<u>0</u>
TOTAL CURRENT ASSETS	\$	3,884,648	\$ 2,150,658	\$ 6,035,306	\$ 369,282
RESTRICTED ASSETS - Cash and equivalents					
	\$	50,303	\$ 0	\$ 50,303	\$ 0
NON-CURRENT ASSETS					
Property and equipment, net of depreciation	\$	<u>9,449,929</u>	\$ <u>3,012,087</u>	\$ <u>12,462,016</u>	\$ <u>733,866</u>
TOTAL ASSETS	\$	13,384,880	\$ 5,162,745	\$ 18,547,625	\$ 1,103,148
LIABILITIES					
CURRENT LIABILITIES					
Accounts payable	\$	103,892	\$ 7,506	\$ 111,398	\$ 9,295
Accrued and other liabilities		55,519	91,711	147,230	45,916
Interprogram payables		355,612	232,534	588,146	0
Deferred revenue		192,254	0	192,254	0
Current part of non-current liabilities		<u>50,000</u>	<u>175,295</u>	<u>225,295</u>	<u>0</u>
TOTAL CURRENT LIABILITIES	\$	757,277	\$ 507,046	\$ 1,264,323	\$ 55,211
LIABILITIES PAYABLE FROM RESTRICTED ASSETS					
	\$	303	\$ 0	\$ 303	\$ 0
NON-CURRENT LIABILITIES					
Compensated absences	\$	211,467	\$ 0	\$ 211,467	\$ 25,171
Bonds payable		2,027,297	0	2,027,297	0
Revenue bonds payable		<u>0</u>	<u>145,371</u>	<u>145,371</u>	<u>0</u>
TOTAL NON-CURRENT LIABILITIES	\$	<u>2,238,764</u>	\$ <u>145,371</u>	\$ <u>2,384,135</u>	\$ <u>25,171</u>
TOTAL LIABILITIES	\$	2,996,344	\$ 652,417	\$ 3,648,761	\$ 80,382
NET ASSETS					
Invested in capital assets, net of related debt	\$	7,422,632	\$ 2,691,421	\$ 10,114,053	\$ 733,866
Restricted for					
Forfeitures		6,250	0	6,250	0
Capital outlay		342,482	0	342,482	0
Other		13,182	0	13,182	0
Unrestricted		<u>2,603,990</u>	<u>1,818,907</u>	<u>4,422,897</u>	<u>288,900</u>
TOTAL NET ASSETS	\$	<u>10,388,537</u>	\$ <u>4,510,328</u>	\$ <u>14,898,865</u>	\$ <u>1,022,766</u>

The Notes to Financial Statements are an integral part of this statement.

CITY OF KINGSFORD
GOVERNMENT WIDE STATEMENT OF ACTIVITIES
Year ended June 30, 2008

FUNCTIONS/PROGRAMS	PROGRAM REVENUES				NET REVENUE (EXPENSE) AND CHANGES IN NET ASSETS			
	EXPENSES	CHARGES	OPERATING	CAPITAL	PRIMARY GOVERNMENT			COMPONENT UNIT
		FOR SERVICES	GRANTS AND CONTRIBUTIONS	GRANTS AND CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL	
Governmental Activities								
General government	\$ 535,828	\$ 0	\$ 0	\$ 0	\$ (535,828)		\$ (535,828)	
Public safety	1,544,254	0	0	8,000	(1,536,254)		(1,536,254)	
Public works	1,605,675	178,590	479,493	0	(947,592)		(947,592)	
Insurance and benefits	247,855	0	0	0	(247,855)		(247,855)	
Recreation and culture	100,320	0	0	0	(100,320)		(100,320)	
Other	401	0	0	0	(401)		(401)	
Interest on long-term debt	100,111	0	0	0	(100,111)		(100,111)	
TOTAL GOVERNMENTAL ACTIVITIES	\$ 4,134,444	\$ 178,590	\$ 479,493	\$ 8,000	\$ (3,468,361)		\$ (3,468,361)	
Business-Type Activities								
Water	\$ 500,758	\$ 446,111	\$ 0	\$ 0		\$ (54,647)	\$ (54,647)	
Sewer	62,136	274,113	0	60,000		271,977	271,977	
TOTAL BUSINESS-TYPE ACTIVITIES	\$ 562,894	\$ 720,224	\$ 0	\$ 60,000		\$ 217,330	\$ 217,330	
Component Unit - Kingsford Housing Commission	\$ 437,715	\$ 158,789	\$ 111,978	\$ 81,065				\$ (85,883)
GENERAL REVENUES								
Property taxes					\$ 2,176,914	\$ 0	\$ 2,176,914	\$ 0
State shared revenues and grants					611,962	0	611,962	0
Unrestricted investments earnings					378,805	66,780	445,585	14,313
Fines and forfeitures					19,271	0	19,271	0
Reimbursements					26,260	0	26,260	0
Other					34,980	0	34,980	17,472
SPECIAL ITEMS								
Gain (loss) on sale of property					74,932	0	74,932	0
Insured loss proceeds					3,812	0	3,812	0
TRANSFERS					(223,002)	112,365	(110,637)	0
TOTAL GENERAL REVENUES AND SPECIAL ITEMS					\$ 3,103,934	\$ 179,145	\$ 3,283,079	\$ 31,785
CHANGE IN NET ASSETS								
Net assets - beginning					\$ (364,427)	\$ 396,475	\$ 32,048	\$ (54,098)
					10,752,964	4,113,853	14,866,817	1,076,864
NET ASSETS - ENDING					\$ 10,388,537	\$ 4,510,328	\$ 14,898,865	\$ 1,022,766

The Notes to Financial Statements are an integral part of this statement.

CITY OF KINGSFORD
GOVERNMENTAL FUNDS BALANCE SHEET
COMBINED BALANCE SHEET
June 30, 2008

	GENERAL FUND	MAJOR STREET FUND	LOCAL STREET FUND	REVOLVING LOAN FUND	NON-MAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
ASSETS						
Cash and equivalents	\$ 1,300,116	\$ 612,352	\$ 3,992	\$ 721,869	\$ 175,079	\$ 2,813,408
Accounts/notes receivable	26,843	0	0	176,607	0	203,450
Due from other funds	420,584	0	169,014	0	0	589,598
Due from other governmental units	204,884	52,554	20,754	0	0	278,192
Restricted assets	<u>50,303</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>50,303</u>
TOTAL ASSETS	\$ 2,002,730	\$ 664,906	\$ 193,760	\$ 898,476	\$ 175,079	\$ 3,934,951
LIABILITIES						
Accounts payable	\$ 46,904	\$ 181	\$ 594	\$ 56,213	\$ 0	\$ 103,892
Accrued payroll expense	21,075	636	913	0	0	22,624
Due to other funds	92,929	120,996	0	119,541	22,146	355,612
Deferred revenue	<u>0</u>	<u>0</u>	<u>192,253</u>	<u>176,607</u>	<u>0</u>	<u>368,860</u>
TOTAL LIABILITIES	\$ 160,908	\$ 121,813	\$ 193,760	\$ 352,361	\$ 22,146	\$ 850,988
FUND BALANCES						
Reserved for						
Forfeitures	\$ 6,250	\$ 0	\$ 0	\$ 0	\$ 0	\$ 6,250
Public safety education	1,158	0	0	0	0	1,158
Health reimbursement account	12,024	0	0	0	0	12,024
Capital outlay	30,871	0	0	311,611	0	342,482
Unreserved	<u>1,791,519</u>	<u>543,093</u>	<u>0</u>	<u>234,504</u>	<u>152,933</u>	<u>2,722,049</u>
TOTAL FUND EQUITY	\$ 1,841,822	\$ 543,093	\$ 0	\$ 546,115	\$ 152,933	\$ 3,083,963
TOTAL LIABILITIES AND FUND EQUITY	\$ 2,002,730	\$ 664,906	\$ 193,760	\$ 898,476	\$ 175,079	\$ 3,934,951

The Notes to Financial Statements are an integral part of this statement.

CITY OF KINGSFORD
RECONCILIATION OF BALANCE SHEET OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF NET ASSETS
June 30, 2008

Total fund balance - total governmental funds	\$ 3,083,963
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets used in governmental activities are not financial resources and are not reported in the funds net of related depreciation	9,449,929
Long term liabilities:	
Bonds not due and payable within the current period and not reported in the funds	(2,077,600)
Accrued interest on bonds not reported on governmental statements	(32,895)
Accumulated employee vacation and personal pay not used in current period	(211,467)
Eliminate deferred income recognition of notes receivable	<u>176,607</u>
NET ASSETS OF GOVERNMENTAL ACTIVITIES \$	<u>10,388,537</u>

CITY OF KINGSFORD
GOVERNMENTAL FUNDS STATEMENT OF REVENUE,
EXPENDITURES, AND CHANGES IN FUND BALANCE
Year ended June 30, 2008

	GENERAL FUND	MAJOR STREET FUND	LOCAL STREET FUND	REVOLVING LOAN FUND	NON-MAJOR GOVERNMENTAL FUND	TOTAL GOVERNMENTAL FUNDS
REVENUES						
Property taxes	\$ 2,030,935	\$ 0	\$ 0	\$ 0	\$ 145,979	\$ 2,176,914
Federal grants	8,000	0	0	0	0	8,000
State shared revenues and grants	611,962	354,839	124,654	0	0	1,091,455
Licenses and permits	19,271	0	0	0	0	19,271
Fines and forfeitures	22,861	0	0	0	0	22,861
Charges for services	178,590	0	0	0	0	178,590
Interest and rentals	460,909	25,863	163	33,977	8,130	529,042
Sale of property and supplies	46,732	0	0	0	28,200	74,932
Refunds and reimbursements	26,260	0	0	0	0	26,260
Insurance proceeds	3,812	0	0	0	0	3,812
Other	11,629	0	490	80,685	0	92,804
TOTAL REVENUES	\$ 3,420,961	\$ 380,702	\$ 125,307	\$ 114,662	\$ 182,309	\$ 4,223,941
EXPENDITURES						
Current						
General government	\$ 475,881	\$ 0	\$ 0	\$ 1,328	\$ 10,563	\$ 487,772
Public safety	1,499,313	0	0	0	0	1,499,313
Public works	905,146	218,609	206,717	0	0	1,330,472
Recreation	100,320	0	0	0	0	100,320
Insurance and benefits	182,184	0	0	0	0	182,184
Other	401	0	0	0	0	401
Capital outlay	0	122,577	131,175	0	215,199	468,951
Debt service	0	0	0	0	145,824	145,824
TOTAL EXPENDITURES	\$ 3,163,245	\$ 341,186	\$ 337,892	\$ 1,328	\$ 371,586	\$ 4,215,237
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	\$ 257,716	\$ 39,516	\$ (212,585)	\$ 113,334	\$ (189,277)	\$ 8,704
OTHER FINANCING SOURCES (USES)						
Transfers in	\$ 0	\$ 0	\$ 171,557	\$ 0	\$ 203,442	\$ 374,999
Transfers (out)	(347,489)	(76,085)	0	(174,427)	0	(598,001)
TOTAL OTHER FINANCING SOURCES (USES)	\$ (347,489)	\$ (76,085)	\$ 171,557	\$ (174,427)	\$ 203,442	\$ (223,002)
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	\$ (89,773)	\$ (36,569)	\$ (41,028)	\$ (61,093)	\$ 14,165	\$ (214,298)
Fund balance - beginning	1,931,595	579,662	41,028	607,208	138,768	3,298,261
FUND BALANCE - JUNE 30	\$ 1,841,822	\$ 543,093	\$ 0	\$ 546,115	\$ 152,933	\$ 3,083,963

The Notes to Financial Statements are an integral part of this statement.

CITY OF KINGSFORD
RECONCILIATION OF STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCE
TO THE STATEMENT OF ACTIVITIES
Year ended June 30, 2008

Net change in fund balance - total governmental funds	\$ (214,298)
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental funds report capital outlays as expenditures; in the Statement of Activities these costs are allocated over their estimated useful life and reported as depreciation.	(49,486)
Eliminate effect of reduction of deferred revenue in governmental fund not recognized in the Statement of Activities	(80,685)
Repayments of loan principal is an expenditure in the governmental funds but not in the Statement of Activities (where it reduces long-term debt).	45,000
Decrease in accrued interest not recorded as expenditure in governmental funds but recorded in Statement of Activities	713
Decreases in accumulated employee vacation and personal pay are recorded when earned in the Statement of Activities	<u>(65,671)</u>
CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES \$	<u><u>(364,427)</u></u>

CITY OF KINGSFORD
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
June 30, 2008

		<u>WATER UTILITY</u>		<u>SEWER UTILITY</u>		<u>TOTAL</u>
ASSETS						
Current Assets:						
Cash and equivalents	\$	832,567	\$	1,142,689	\$	1,975,256
Accounts receivable		<u>72,144</u>		<u>103,258</u>		<u>175,402</u>
TOTAL CURRENT ASSETS	\$	904,711	\$	1,245,947	\$	2,150,658
Property, plant and equipment:						
System assets	\$	5,161,124	\$	782,325	\$	5,943,449
Construction in progress		68,451		189,420		257,871
Less accumulated depreciation		<u>(3,102,493)</u>		<u>(86,740)</u>		<u>(3,189,233)</u>
TOTAL PROPERTY, PLANT AND EQUIPMENT	\$	2,127,082	\$	885,005	\$	3,012,087
TOTAL ASSETS	\$	3,031,793	\$	2,130,952	\$	5,162,745
LIABILITIES						
Current Liabilities:						
Accounts payable	\$	3,864	\$	3,642	\$	7,506
Accrued payroll expenses		12,957		169		13,126
Accrued interest		3,607		0		3,607
Due to other funds		58,545		173,989		232,534
Due to other governmental units		0		74,978		74,978
Current portion of long term debt		<u>175,295</u>		<u>0</u>		<u>175,295</u>
TOTAL CURRENT LIABILITIES	\$	254,268	\$	252,778	\$	507,046
Long Term Debt - Bonds payable	\$	<u>145,371</u>	\$	<u>0</u>	\$	<u>145,371</u>
TOTAL LIABILITIES	\$	399,639	\$	252,778	\$	652,417
NET ASSETS						
Invested in capital assets - net of related debt	\$	1,806,416	\$	885,005	\$	2,691,421
Restricted for debt service		0		0		0
Unrestricted		<u>825,738</u>		<u>993,169</u>		<u>1,818,907</u>
TOTAL NET ASSETS	\$	2,632,154	\$	1,878,174	\$	4,510,328

The Notes to Financial Statements are an integral part of this statement.

CITY OF KINGSFORD
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
PROPRIETARY FUNDS
Year ended June 30, 2008

	<u>WATER UTILITY</u>	<u>SEWER UTILITY</u>	<u>TOTAL</u>
OPERATING REVENUES			
Charges for services:			
Metered sales and service charges	\$ 437,992	\$ 268,372	\$ 706,364
Taps, thaws and shutoffs	5,137	89	5,226
Late payment penalties	<u>2,982</u>	<u>5,652</u>	<u>8,634</u>
TOTAL OPERATING REVENUES	\$ 446,111	\$ 274,113	\$ 720,224
OPERATING EXPENSES			
Personal services	\$ 197,119	\$ 28,764	\$ 225,883
Contractual services	18,112	140	18,252
Utilities	41,606	763	42,369
Equipment rental	35,355	9,794	45,149
Supplies	23,519	2,538	26,057
Other services and charges	29,105	3,705	32,810
Depreciation	<u>140,966</u>	<u>16,432</u>	<u>157,398</u>
TOTAL OPERATING EXPENSES	\$ 485,782	\$ 62,136	\$ 547,918
NET OPERATING INCOME (LOSS)	\$ (39,671)	\$ 211,977	\$ 172,306
NON-OPERATING GAINS/LOSSES			
Interest earned	\$ 31,014	\$ 35,766	\$ 66,780
Local capital grants	0	60,000	60,000
Transfer from other funds	43,451	68,914	112,365
Interest expense	<u>(14,976)</u>	<u>0</u>	<u>(14,976)</u>
CHANGE IN NET ASSETS	\$ 19,818	\$ 376,657	\$ 396,475
Net assets - beginning	<u>2,612,336</u>	<u>1,501,517</u>	<u>4,113,853</u>
NET ASSETS - ENDING	\$ <u>2,632,154</u>	\$ <u>1,878,174</u>	\$ <u>4,510,328</u>

The Notes to Financial Statements are an integral part of this statement.

CITY OF KINGSFORD
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year ended June 30, 2008

	<u>WATER UTILITY</u>	<u>SEWER UTILITY</u>	<u>TOTAL</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	\$ 443,818	\$ 289,387	\$ 733,205
Payments to suppliers	(152,248)	(23,742)	(175,990)
Payments to or on behalf of employees	(197,217)	(30,016)	(227,233)
Internal activity-payments from other funds	<u>10,679</u>	<u>46,505</u>	<u>57,184</u>
TOTAL CASH FLOWS FROM OPERATING ACTIVITIES \$	105,032 \$	282,134 \$	387,166
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Principal and interest paid on capital debt	\$ (192,283)	\$ 0	(192,283)
Purchases of capital assets	(68,451)	(414,058)	(482,509)
Local capital grant received	0	60,000	60,000
Reduction of funding restricted accounts	<u>108,904</u>	<u>0</u>	<u>108,904</u>
TOTAL CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES \$	(151,830) \$	(354,058) \$	(505,888)
CASH FLOWS FROM OTHER FINANCING ACTIVITIES			
Transfers from other funds	\$ 43,451	\$ 68,914	\$ 112,365
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest earned	<u>\$ 31,014</u>	<u>\$ 35,766</u>	<u>\$ 66,780</u>
NET INCREASE (DECREASE) IN CASH \$	27,667 \$	32,756 \$	60,423
Cash and equivalents - beginning	<u>804,900</u>	<u>1,109,933</u>	<u>1,914,833</u>
CASH AND EQUIVALENTS - ENDING \$	<u>832,567</u> \$	<u>1,142,689</u> \$	<u>1,975,256</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES			
Operating income (loss)	\$ (39,671)	\$ 211,977	\$ 172,306
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities			
Depreciation	140,966	16,432	157,398
Change in Assets and Liabilities			
Receivables - net	(2,293)	15,275	12,982
Accounts payable	(4,552)	(331)	(4,883)
Accrued payroll expense	(97)	(1,252)	(1,349)
Due to other funds	10,679	46,505	57,184
Due to other governmental units	<u>0</u>	<u>(6,472)</u>	<u>(6,472)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES \$	<u>105,032</u> \$	<u>282,134</u> \$	<u>387,166</u>

The Notes to Financial Statements are an integral part of this statement.

CITY OF KINGSFORD
STATEMENT OF NET ASSETS
FIDUCIARY FUNDS
June 30, 2008

	<u>TRUST FUND TYPE</u>		<u>AGENCY FUND TYPE</u>
	<u>Police and Firemen's Pension Trust Fund</u>	<u>Retiree Insurance Trust Fund</u>	<u>Tax Collections</u>
ASSETS			
Cash and equivalents	\$ 67,069	\$ 9,064	\$ 10,428
Interest and dividend receivable	0	0	0
Investments	9,827,077	0	0
Due from other governmental units	<u>0</u>	<u>0</u>	<u>0</u>
TOTAL ASSETS	\$ 9,894,146	\$ 9,064	\$ 10,428
LIABILITIES			
Accounts payable	\$ 0	\$ 0	\$ 0
Due to other funds	0	1,314	138
Due to other governmental units	0	0	0
Security and performance deposits	0	0	10,290
Deferred revenue	<u>0</u>	<u>1,252</u>	<u>0</u>
TOTAL LIABILITIES	\$ <u>0</u>	\$ <u>2,566</u>	\$ <u>10,428</u>
NET ASSETS			
Held in trust for pension benefits	\$ <u>9,894,146</u>		
Held in trust for retiree insurance benefits		\$ <u>6,498</u>	

The Notes to Financial Statements are an integral part of this statement.

CITY OF KINGSFORD
STATEMENT OF CHANGES IN PLAN NET ASSETS
FIDUCIARY FUNDS
Year ended June 30, 2008

		<u>Police and Firemen's Pension Trust Fund</u>	<u>Retiree Insurance Trust Fund</u>
ADDITIONS			
Contributions			
Tax collections	\$	322,912	\$ 0
Employer		0	110,635
Plan members		<u>66,855</u>	<u>37,565</u>
Total Contributions	\$	389,767	\$ 148,200
Investment Income			
Net appreciation (depreciation) in fair value of investments	\$	(1,034,490)	\$ 0
Realized gains (losses)		717,257	0
Interest and dividends		271,912	46
Securities litigation settlements		8,555	0
Less investment expense		<u>(69,964)</u>	<u>0</u>
Net Investment Income	\$	<u>(106,730)</u>	\$ 46
TOTAL ADDITIONS	\$	283,037	\$ 148,246
DEDUCTIONS			
Benefits paid	\$	473,079	\$ 150,007
Administrative expense		<u>3,441</u>	<u>0</u>
TOTAL DEDUCTIONS	\$	<u>476,520</u>	\$ 150,007
NET INCREASE	\$	(193,483)	\$ (1,761)
NET ASSETS HELD IN TRUST FOR PENSION OR RETIREE INSURANCE BENEFITS			
Beginning	\$	<u>10,087,629</u>	\$ <u>8,259</u>
ENDING	\$	<u><u>9,894,146</u></u>	<u><u>6,498</u></u>

The Notes to Financial Statements are an integral part of this statement.

CITY OF KINGSFORD
STATEMENT OF NET ASSETS
COMPONENT UNIT
June 30, 2008

		<u>KINGSFORD HOUSING COMMISSION</u>
	ASSETS	
CURRENT ASSETS		
Cash and equivalents	\$	33,215
Accounts receivable		4,435
Investments		323,715
Prepaid expenses		<u>7,917</u>
	TOTAL CURRENT ASSETS \$	369,282
NONCURRENT ASSETS		
Capital assets	\$	4,203,395
Less accumulated depreciation		<u>(3,469,529)</u>
	TOTAL NON CURRENT ASSETS \$	<u>733,866</u>
	TOTAL ASSETS \$	1,103,148
	LIABILITIES	
CURRENT LIABILITIES		
Accounts payable	\$	9,295
Accrued liabilities		<u>45,916</u>
	TOTAL CURRENT LIABILITIES \$	55,211
NON-CURRENT LIABILITIES	\$	<u>25,171</u>
	TOTAL LIABILITIES \$	80,382
	NET ASSETS	
Investment in capital assets, net of related debt	\$	733,866
Unrestricted net assets		<u>288,900</u>
	NET ASSETS \$	<u><u>1,022,766</u></u>

The Notes to Financial Statements are an integral part of this statement.

CITY OF KINGSFORD
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCE
COMPONENT UNIT
Year ended June 30, 2008

		<u>KINGSFORD HOUSING COMMISSION</u>
OPERATING REVENUES		
Tenant revenue	\$	158,789
Program grants - subsidies		111,978
Other		<u>17,472</u>
TOTAL OPERATING REVENUES	\$	288,239
OPERATING EXPENSES		
Administration	\$	93,133
Tenant services		642
Utilities		43,120
Maintenance		124,324
General		26,156
Extraordinary maintenance		2,880
Depreciation		<u>147,460</u>
TOTAL EXPENDITURES	\$	<u>437,715</u>
OPERATING (LOSS)	\$	(149,476)
OTHER INCOME (EXPENSES)		
Interest income	\$	14,313
Capital grants		<u>81,065</u>
TOTAL OTHER INCOME (EXPENSES)	\$	<u>95,378</u>
CHANGE IN NET ASSETS	\$	(54,098)
Net assets - beginning		<u>1,076,864</u>
NET ASSETS - ENDING	\$	<u><u>1,022,766</u></u>

The Notes to Financial Statements are an integral part of this statement.

CITY OF KINGSFORD
STATEMENT OF CASH FLOWS
COMPONENT UNIT
Year ended June 30, 2008

	<u>KINGSFORD HOUSING COMMISSION</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	\$ 158,630
Receipts from grants and subsidies	111,978
Payments to suppliers	(106,343)
Payments to or on behalf of employees	(162,033)
Payment in lieu of taxes	(11,322)
Other receipts	<u>17,594</u>
TOTAL CASH FLOWS FROM OPERATING ACTIVITIES	\$ 8,504
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Capital grants	\$ 80,738
Acquisition of capital assets	\$ <u>(83,100)</u>
TOTAL CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	\$ (2,362)
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchases of investments	\$ (12,982)
Investment income	<u>13,132</u>
TOTAL CASH FLOWS FROM INVESTING ACTIVITIES	\$ <u>150</u>
NET INCREASE (DECREASE) IN CASH	\$ 6,292
Cash and equivalents - beginning	<u>26,923</u>
CASH AND EQUIVALENTS - ENDING	\$ <u><u>33,215</u></u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	
Operating income (loss)	\$ (149,476)
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities	
Depreciation	147,460
Change in Assets and Liabilities	
Receivables - net	(37)
Prepaid expenses	4,669
Accounts payable	1,715
Accrued liabilities	<u>4,173</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ <u><u>8,504</u></u>

The Notes to Financial Statements are an integral part of this statement.

CITY OF KINGSFORD
NOTES TO FINANCIAL STATEMENTS
June 30, 2008

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the City of Kingsford (City) conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the City:

Reporting Entity

The City is governed by an elected five member council (Council). The accompanying financial statements present the government and its component units, entities for which the government is considered to be financially accountable. Although blended component units are legal separate entities, in substance, they are part of the government's operations. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the government. The City does not have any component units that are blended.

DISCRETELY PRESENTED COMPONENT UNIT

The following component unit is reported within the "component unit" column in the government wide financial statements. The discretely presented component unit is an entity that is legally separate from the City of Kingsford, but for which the City is financially accountable, or its relationship with the City is such that exclusion would cause the City's financial statements to be misleading or incomplete.

Kingsford Housing Commission

The Kingsford Housing Commission (KHC), which was established in 1972 under criteria established for low income housing programs by the United States Department of Housing and Urban Development is governed by a board of commissioners appointed by the City Council. Its purpose is to provide low cost housing to elderly and low income families in the City of Kingsford, Michigan. The separately issued audited financial statements of the Kingsford Housing Commission are available at its offices at 1025 Woodward Avenue, Kingsford, MI 49802.

JOINTLY GOVERNED ORGANIZATIONS

Joint Sewage Authority

The Iron Mountain-Kingsford Sewage Treatment Authority (Authority), was formed in 1960 under provisions established by the joint cooperation of the Cities of Iron Mountain and Kingsford, Michigan. The Authority operates under a board of commissioners consisting of the city manager of each City as well as a member appointed by the respective mayors of the Cities.

CITY OF KINGSFORD
NOTES TO FINANCIAL STATEMENTS
June 30, 2008

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The City remits a portion of its metered sewer utility collections to the Authority. The City receives a collection stipend from the Authority of \$833.33 per month. The City also retains all sewer tap fees and service charges collected.

The audited financial statements of the Joint Sewage Authority are available at the Kingsford City Offices located at 305 S. Carpenter Avenue, Kingsford, MI 49802.

Dickinson County Solid Waste Management Authority

The City of Kingsford along with other units of government in Dickinson County, Michigan jointly operate the Dickinson County Solid Waste Management Authority (DCSWMA). All of the financial operations of DCSWMA are recorded in the records of the County of Dickinson, Michigan. The City's appropriation to DCSWMA for the year was \$117,290.

The audit report for DCSWMA for the year ended June 30, 2008, is available at its offices at W-7702 US 2, Iron Mountain, MI 49801.

Government-Wide and Fund Financial Statements

The government-wide statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

CITY OF KINGSFORD
NOTES TO FINANCIAL STATEMENTS
June 30, 2008

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

Taxes Receivable—Current Property Taxes

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on July 1 and are due and payable at that time. All unpaid taxes levied July 1 become delinquent on the next August 15th.

Property tax revenues are recognized when they become available. Available includes those taxes expected to be collected within sixty days after year end. Since it is felt that certain delinquent taxes are not fully collectible, a reserve for uncollectible taxes of \$113 has been recorded in the City's General Fund which relates to prior year uncollected taxes.

The Taxable Value of the 2007-2008 taxable property is \$117,519,505. The City's total millage was 17.111 mills for operations, 2.764 mills for police and fire pension and 1.250 mills for debt service yielding tax levies of \$1,993,887, \$322,610, and \$145,898 respectively. The tax collection revenues as recorded in the funds vary slightly because of revenue recognition policies explained above and the adverse settlement of various property tax appeals from prior years.

The government reports the following major governmental funds:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

CITY OF KINGSFORD
NOTES TO FINANCIAL STATEMENTS
June 30, 2008

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The Major Street Fund accounts for the resources of state gas and weight tax revenues that are restricted for use on Major Streets.

The Local Street Fund accounts for the resources of state gas and weight tax revenues that are restricted for use on Local Streets.

The Revolving Loan Fund accounts for the loans to businesses and related repayment activities to enhance economic development.

The Equipment and Capital Fund is used to account for receipts (primarily transfers) and capital project and equipment expenditures on behalf of the other governmental funds.

The government reports the following major proprietary funds:

The Water Fund accounts for the activities of the water distribution system.

The Sewer Fund accounts for the activities of the sewer collection system.

Private-sector standards of accounting issued prior to December 1, 1989, are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. The government has elected to also follow private-sector standards issued after November 30, 1989 for its business-type activities.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the government's water and sewer function and various other functions of the government. Eliminations of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenue include: (1) charges to customers or applicants for goods, services or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes.

Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of the City's proprietary funds relate to charges to customers for sales and services. The water and sewer funds also recognizes the portion of the fees intended to recover current costs (e.g.,

CITY OF KINGSFORD
NOTES TO FINANCIAL STATEMENTS
June 30, 2008

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

labor and materials to hook up new customers) as operating revenue. The portion intended to recover the cost of the infrastructure is recognized as nonoperating revenue. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

Assets, Liabilities, and Net Assets or Equity

Bank Deposits and Investments— Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of six months or less when acquired. Investments are stated at fair value.

Receivables and Payables— In general, outstanding balances between funds are reported as “due to/from other funds.” Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as “due to/from other funds.”

All trade and property tax receivables are shown as net of allowance for uncollectible amounts. Property taxes are levied on each July 1st on the taxable valuation of property as of the preceding December 31st. Taxes are considered delinquent on March 1st of the following year, at which time penalties and interest are assessed.

Inventories and Prepaid Items— Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

Restricted Assets— The revenue bonds of the enterprise funds require amounts to be set aside for construction, debt service principal and interest, operations and maintenance, and a bond reserve. These amounts have been classified as restricted assets.

Capital Assets— Capital assets, which include property, plant, equipment, infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$1,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

CITY OF KINGSFORD
NOTES TO FINANCIAL STATEMENTS
June 30, 2008

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Interest incurred during the construction of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Property, plant and equipment is depreciated using the straight-line method over the following useful lives:

Buildings	40 to 60 years
Building Improvements	15 to 30 years
Water and Sewer Lines	40 to 60 years
Roads	10 to 30 years
Other Infrastructure	10 to 40 years
Vehicles	3 to 5 years
Office Equipment	5 to 7 years
Computer Equipment	3 to 7 years

Compensated Absences (Vacation, Personal and Sick Leave)– It is the City’s policy to permit employees to accumulate earned but unused vacation, personal and sick pay benefits. There is a liability for unpaid accumulated sick leave since the City has a policy to pay a portion of the accumulated benefits to employees upon separation from service with the City in some circumstances. All vacation and personal leave pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only for employee terminations as of year-end.

Long-Term Obligations– In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

Fund Equity– In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

CITY OF KINGSFORD
NOTES TO FINANCIAL STATEMENTS
June 30, 2008

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Comparative Data/Reclassifications

Comparative total data for the prior year have been presented only for individual enterprise funds in the fund financial statements in order to provide an understanding of the changes in the financial position and operations of these funds. Also, certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

NOTE B - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information— Annual budgets are adopted on a cash basis. All annual appropriations lapse at fiscal year end. The budget document presents information by fund and function. The legal level of budgetary control adopted by the governing body is the function level. (i.e., The level at which expenditures may not legally exceed appropriations.)

Excess of Expenditures Over Appropriations In Budgetary Funds

P.A. 621 of 1978, section 18(1), as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated.

In the body of the financial statements, the City's actual expenditures, budgeted expenditures and related variances for the budgetary funds have been shown on an activity basis. The approved budgets of the City for these budgetary funds were adopted to the activity level.

Fund/Activity	Actual	Budget	Variance	%
General/Treasurer	77,918	76,850	1,068	1
General/Planning	6,982	5,340	1,642	31
Major Streets/Traffic Service	11,850	0	11,850	~
Major Streets/Transfers	76,085	0	76,085	~
Local Streets/Construction	131,175	116,300	14,875	13
Local Streets/Route Maintenance	111,897	91,760	20,137	22
Local Streets/Traffic Services	3,267	0	3,267	~
Local Streets/Winter Maintenance	91,533	67,225	24,328	36
Revolving Loan Fund		No Budget Prepared		
Equip/Cap Improvement/Prof Fees	3,390	0	3,390	~
Equip/Cap Improvement/Comm Better	43,373	0	43,373	~
Land/Professional Fees	5,769	0	5,769	~
Land/Other	1,404	0	1,404	~

CITY OF KINGSFORD
NOTES TO FINANCIAL STATEMENTS
June 30, 2008

NOTE C - DEPOSITS AND INVESTMENTS

Michigan Compiled Laws, Section 129.91, authorizes the local governmental unit to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations which have an office in Michigan; bond securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or Federal agency obligation repurchase agreements, bankers' acceptance of United States banks; commercial paper rated within the two highest classifications, which mature not more than 270 days after the date of purchase, obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

The City has designated three banks for the deposit of its funds. The investments policy adopted by the board in accordance with Public Act 196 of 1997, as amended, had authorized investment in bonds and securities of the United States government and its agencies and bank time deposit accounts but not the remainder of State statutory authority as listed above. The City's deposits and investment policy are in accordance with statutory authority.

At year-end, the City's deposits and investments were reported in the basic financial statements in the following categories:

	Governmental Activities	Business-Type Activities	Fiduciary Funds	Total Primary Government	Component Unit
Cash & Cash Equivalents	\$ 2,813,408	\$ 1,975,206	\$ 86,561	\$ 4,875,175	\$ 33,215
Restricted Assets	50,303	0	0	50,303	0
Total	\$ 2,863,711	\$ 1,975,206	\$ 86,561	\$ 4,925,478	\$ 33,215

All of the cash and equivalents have been placed in bank accounts at the various approved financial institutions. The primary government bank balance is \$4,925,478 of which \$1,000,000 is covered by federal depository insurance and the entire component unit cash balance is covered by federal depository insurance.

INVESTMENTS

Statutes of the State of Michigan authorize the City to invest in various bank deposit accounts and certain securities. There are no apparent provisions of the statutes requiring that the balances of such investments be partially or fully collateralized with pledged securities of the investee bank, etc. The City held such investments during the year, including those of the pension trust which is authorized to invest in various instruments in accordance with the provisions of Act 345 of the State of Michigan's Public Acts of 1937 establishing a municipally administered Police and Firemen's Retirement System.

CITY OF KINGSFORD
NOTES TO FINANCIAL STATEMENTS
June 30, 2008

NOTE C - DEPOSITS AND INVESTMENTS (CONTINUED)

INVESTMENTS (CONTINUED)

As of June 30, 2008, the pension trust investments consisted of obligations of the United States Treasury, some domestic corporations and common stocks of U.S. corporations. These investments that are represented by specific identifiable investment securities are classified as to credit risk by the three categories described below:

Category 1 - Insured or registered, or securities held by the City or its agent in the City's name.

Category 2 - Uninsured and unregistered, with securities held by the counterparty's trust department.

Category 3 - Uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent but not in the City's name.

	<u>Category</u>		
	<u>1</u>	<u>2</u>	<u>3</u>
Cash and equivalent	\$ 689,384	\$ 0	\$ 0
Government bonds	2,861,645	0	0
Government backed securities	34,984	0	0
Corporate bonds	611,791	0	0
Corporate stocks	<u>5,629,272</u>	<u>0</u>	<u>0</u>
TOTALS	\$ 9,827,076	\$ 0	\$ 0

NOTE D - PENSION PLANS

MUNICIPAL EMPLOYEES RETIREMENT SYSTEM

PLAN DESCRIPTION

On July 1, 2001, the City adopted employees' Pension Plan B-3 of the Municipal Employees' Retirement System for all eligible employees and elected participation in Benefits E and E-2 with F55 waiver. The plan is an agent multiple-employer pension plan. Normal retirement benefits are paid employees retiring at age 60 with 10 or more years of service. The F55 waiver allows a full pension to be paid to retirees less than 60 years old if they have attained the age of 55 and have 15 or more years of credited service. The provisions of the pension plan include that a maximum of 80% of Final Average Compensation is used to determine pension benefit values.

CITY OF KINGSFORD
NOTES TO FINANCIAL STATEMENTS
June 30, 2008

NOTE D - PENSION PLANS (CONTINUED)

ACTUARIAL ACCRUED LIABILITY

The actuarial accrued liability was determined as part of an actuarial valuation of the plan as of December 31, 2007.

GASB 25 INFORMATION

Actuarial Accrued Liability:

Retirees and beneficiaries currently receiving benefits	\$ 1,783,448
Terminated employees not yet receiving benefits	21,421
Non-vested terminated employees (refund of contribution)	501
Current employees:	
Accumulated employee contributions including	
allocated investment income	667,588
Employer financed	<u>2,587,298</u>
 TOTAL ACTUARIAL ACCRUED LIABILITY	 \$ 5,060,256
 Net Assets Available for benefits, at actuarial value	 <u>4,553,937</u>
 UNFUNDED ACTUARIAL ACCRUED LIABILITY	 \$ 506,319

GASB 27 INFORMATION

Fiscal year beginning	July 1, 2009
 Annual required contribution	 \$ 91,188

POLICE AND FIREMEN'S PENSION PLAN

PLAN DESCRIPTION

On July 1, 1960 the City adopted a Police and Firemen's Retirement system pursuant to Act 345 of the Public Acts of 1937, as amended. The retirement system covers all full time employees of the City's public safety department. The Police and Firemen's Pension Plan (P&FPP) is a single employer defined benefit pension plan administered by the City of Kingsford Police and Firemen Pension Board. P&FPP provides retirement, disability, and death benefits to plan members and beneficiaries. Cost of living adjustments are provided to members and beneficiaries retiring after January 1, 1997 on each January 1 at the rate of 2.5% per year. The financial reports for P&FPP are

CITY OF KINGSFORD
NOTES TO FINANCIAL STATEMENTS
June 30, 2008

NOTE D - PENSION PLANS (CONTINUED)

issued as part of the City of Kingsford's annual financial reports and include plan financial statements and required supplementary disclosures.

ACCRUED ACTUARIAL LIABILITY

The actuarial accrued liability was determined as part of an actuarial valuation of the plan as of June 30, 2007.

GASB 25 INFORMATION

Actuarial Accrued Liability:

Retirees and beneficiaries currently receiving benefits	\$ 757,363
Terminated employees not yet receiving benefits	0
Current employees:	
Accumulated employee contributions including allocated investment income	839,366
Future retirement health benefits	36,472
Employer financed	<u>8,322,796</u>
 TOTAL ACTUARIAL ACCRUED LIABILITY	 \$ 9,955,997
 Net Assets Available for benefits, at actuarial value	 <u>9,977,010</u>
 (OVERFUNDED) ACTUARIAL ACCRUED LIABILITY	 <u><u>\$ (21,013)</u></u>

GASB 27 INFORMATION

Fiscal year beginning	July 1, 2008
Annual required contribution	\$ 285,029

CITY OF KINGSFORD
NOTES TO FINANCIAL STATEMENTS
June 30, 2008

NOTE E - DUE TO/FROM OTHER FUNDS

During the course of normal operations, the City has numerous transactions between funds including expenditures and transfers of resources primarily to provide services. Such transactions are generally reflected as transfers in the various funds' financial statements. A summary of balances of interfund receivables and payables at June 30, 2008, follows:

Receivable	Payable	Amount
General	Major Street	\$ 44,911
General	Revolving Loan	119,541
General	Equipment and Capital	22,146
General	Water Utility	58,545
General	Sewer Utility	173,989
General	Tax Collection	138
General	Retiree Health	1,314
Local Streets	General	92,929
Local Streets	Major Streets	76,085

NOTE F - FIXED ASSETS

Capital asset activity of the primary government for the current year was as follows:

<u>Governmental Activities</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital Assets Being Depreciated				
Land	\$ 748,416	\$ 0	\$ 0	\$ 748,416
Buildings	6,705,209	11,129	0	6,716,338
Machinery and Equipment	1,792,191	134,547	0	1,926,738
Infrastructure	6,628,256	323,276	0	6,951,532
Subtotal	\$ 15,874,072	\$ 468,952	\$ 0	\$ 16,343,024
Less Accumulated Depreciation for				
Buildings	\$ 2,313,137	\$ 138,553	\$ 0	\$ 2,451,690
Machinery and Equipment	1,289,973	87,197	0	1,377,170
Infrastructure	2,771,547	292,688	0	3,064,235
Subtotal	\$ 6,374,657	\$ 518,438	\$ 0	\$ 6,893,095
Governmental Activities				
Capital Assets--Net of Depreciation	\$ 9,499,415	\$ (49,486)	\$ 0	\$ 9,449,929

CITY OF KINGSFORD
NOTES TO FINANCIAL STATEMENTS
June 30, 2008

NOTE F - FIXED ASSETS (CONTINUED)

<u>Business-Type Activities</u>	Beginning Balance	Increases	Decreases	Ending Balance
Assets Not Being Depreciated-Sewer	\$ 0	\$ 189,420	\$ 0	\$ 189,420
Assets Not Being Depreciated-Water	0	68,451	0	68,451
Capital Assets Being Depreciated				
Sewer System	557,686	224,639	0	782,325
Water System	5,161,124	0	0	5,161,124
Subtotal	\$ 5,718,810	\$ 482,510	\$ 0	\$ 6,201,320
Less Accumulated Depreciation for				
Sewer System	\$ 70,308	\$ 16,432	\$ 0	\$ 86,740
Water System	2,961,527	140,966	0	3,102,493
Subtotal	\$ 3,031,835	\$ 157,398	\$ 0	\$ 3,189,233
Business Type Activities				
Capital Assets--Net of Depreciation	\$ 2,686,975	\$ 325,112	\$ 0	\$ 3,012,087

Depreciation expense was charged to programs of the primary government as follows:

Governmental Activities	
General Government	\$ 340,743
Public Safety	44,942
Public Works	<u>132,753</u>
Total Governmental Activities	<u>\$ 518,438</u>
Business-Type Activities	
Water	\$ 140,966
Sewer	<u>16,432</u>
Total Business-Type Activities	<u>\$ 157,398</u>

CITY OF KINGSFORD
NOTES TO FINANCIAL STATEMENTS
June 30, 2008

NOTE G - FIRST SERIES BOND OF KINGSFORD WATER SUPPLY SYSTEM REVENUE BOND

On July 18, 1995, the City of Kingsford issued serial revenue bonds in the amount of \$676,000 for improvements to its water supply system. A retirement schedule and a description of the bonds is below:

Payable Fiscal Year	October 1		April 1		Total
	Interest	Principal	Interest		
2008-2009	\$ 5,940	\$ 175,334	\$ 3,270	\$	184,544
2009-2010	<u>2,132</u>	<u>145,332</u>	<u>0</u>		<u>147,464</u>
TOTALS	\$ 8,072	\$ 320,666	\$ 3,270	\$	332,008

In 1995, the City completed a water system upgrade and expansion. The project was financed with revenue bonds. The bond was purchased in its entirety by the Rural Development Agency of the United States Department of Agriculture. This bond will be repaid with the revenues generated by charges to water customers. Principal repayments are due annually on each October 1, through 2034. Interest is paid semi-annually on October 1 and April 1 of each year at a rate of 4.5%. During the 2006-2007 fiscal year, the City and Rural Development agreed to an accelerated repayment schedule which is reflected above.

NOTE H - UNLIMITED TAX GENERAL OBLIGATION BOND - PUBLIC WORKS BUILDING

The City issued an unlimited tax general obligation bond to the Rural Development Agency of the US Department of Agriculture. The proceeds were being used to construct a replacement Public Works facility for the City. The loan is due in annual installments as set forth in the Schedule of Debt and Interest on each March 1, through 2028 with interest payable at 4.75%. The cumulative debt service schedule is below:

Payable Fiscal Year	March 1		September 1		Total
	Interest	Principal	Interest		
2008-2009	49,343	50,000	49,343		148,686
2009-2010	48,156	50,000	48,156		146,312
2010-2011	46,968	60,000	46,968		153,936
2011-2012	45,543	65,000	45,543		156,086
2012-2013	43,999	70,000	43,999		157,998
2013-2018	191,853	450,000	191,853		833,706
2018-2023	128,559	635,000	128,559		892,118
2023-2028	<u>47,215</u>	<u>697,600</u>	<u>47,215</u>		<u>792,030</u>
TOTALS	\$ 601,636	\$ 2,077,600	\$ 601,636	\$	3,280,872

CITY OF KINGSFORD
NOTES TO FINANCIAL STATEMENTS
June 30, 2008

NOTE H - UNLIMITED TAX GENERAL OBLIGATION BOND (CONTINUED)

The bond was purchased in its entirety by the Rural Development Agency of the US Department of Agriculture. This bond will be repaid with annual tax collections that will vary in rate to insure coverage of its annual debt responsibility. Principal repayments are due annually on each March 1, through 2028. Interest is paid semi-annually on March 1 and September 1 of each year at a rate of 4.75%.

NOTE I - COMPENSATED ABSENCES

Pursuant to the requirements of the Governmental Accounting Standards Board Statement 16, the City accrues a liability for compensated absences which meet the following criteria:

1. The City's obligation related to employees' rights to receive compensation for future absences is attributable to employees' services already rendered.
2. The obligation relates to rights that vest or accumulate.
3. Payment of compensation is probable.
4. The amount can be reasonably estimated.

In accordance with the above criteria, the City has calculated a liability for sick, personal and vacation leave which has been earned but not taken by City employees.

For governmental funds, a portion of the liability for the vacation, sick and personal leave absences are recorded in applicable funds as earned and that were subsequently liquidated with "expendable and available assets". The total accrued vacation, sick and personal leave earned but not taken as of June 30, 2008, is \$123,282, \$390,860 and \$21,108 respectively. The total accrued sick leave that will be paid upon termination of employment to employees in accordance with bargaining unit contracts and City policies is \$67,077 as of June 30, 2008. For proprietary funds, the liabilities are recorded in the applicable funds as accrued liabilities in accordance with FASB Statement 43.

Specifically, the various contracts and agreements covering the City's personnel allow for the vesting and/or accumulation of leave as follows:

Public Safety Department Employees:

Sick Leave - Covered employees may accumulate an unlimited amount of sick leave. Fifty percent (50%) of the first 1000 hours of such unused sick leave hours will be paid upon termination or retirement from employment, except for those persons first employed after July 1, 1977 in which case they will be required to work until retirement in order to qualify for the payment of accumulated benefits.

CITY OF KINGSFORD
NOTES TO FINANCIAL STATEMENTS
June 30, 2008

NOTE I - COMPENSATED ABSENCES (continued)

Vacation - Covered employees are granted annual credit toward vacation with pay based on a longevity schedule. The credit granted will range from 36 - 216 hours. All employees except department heads must use their vacation accrual during the calendar year or forfeit the benefit. Department heads are allowed to carryforward one week of vacation time to the next year but must use that benefit during the first quarter or forfeit the benefit.

Personal Leave Days - Covered employees except department heads are granted three personal leave days at the beginning of each calendar year with such days to be taken within the calendar year. All employees except department heads must use their personal time accrual during the calendar year or forfeit the benefit. Department heads are granted four personal days at the beginning of each calendar year. All time must be taken prior to February of the succeeding year or the benefit will be forfeited.

Public Works Employees:

Sick Leave - Covered employees may accumulate up to 1088 hours of sick leave. Fifty percent (50%) of the first 100 days of such unused sick leave hours will be paid upon termination or retirement from employment, except for those persons first employed after July 1, 1984 in which case they will be required to work until retirement or death in order to qualify for the payment of the accumulated benefits.

Vacation - Covered employees are granted annual credit toward vacation with pay based on a longevity schedule. The credit granted will range from 40 - 200 hours. All employees except department heads must use their vacation accrual during the calendar year or forfeit the benefit. Department heads are allowed to carryforward one week of vacation time to the next year but must use that benefit during the first quarter or forfeit the benefit.

Personal Leave Days - Covered employees except department heads are entitled to three personal leave days per calendar year. Such days are charged to accumulated sick time when taken. Department heads are entitled to four personal leave days per calendar year and such days are charged to accumulated sick time when taken.

All Other City Employees:

Sick Leave - Covered employees may accumulate up to 1088 hours of sick leave. Fifty percent (50%) of the first 800 hours of such unused sick leave hours will be paid upon termination or retirement from employment, except for those persons first employed after July 1, 1984 in which case they will be required to work until retirement in order to qualify for the payment of accumulated benefits.

Vacation:

Covered employees are granted annual credit toward vacation with pay based on a longevity schedule. The credit granted will range from 40 - 200 hours. All employees except department heads must use their vacation accrual during the calendar year or forfeit the

CITY OF KINGSFORD
NOTES TO FINANCIAL STATEMENTS
June 30, 2008

NOTE I - COMPENSATED ABSENCES (continued)

benefit. Department heads are allowed to carryforward one week of vacation time to the next year but must use that benefit during the first quarter or forfeit the benefit.

Personal Leave Days:

Covered employees except department heads are granted three personal leave days at the beginning of each calendar year with such days to be taken within the calendar year. Such days are charged to accumulated sick time when taken.

Department heads are granted four personal leave days at the beginning of each calendar year with such days to be taken within the calendar year. All personal leave days taken are charged to the employee's accumulated sick time.

NOTE J - RETIREES HOSPITAL AND MEDICAL TRUST FUND

Pursuant to Council resolution, the City has provided hospital and medical insurance coverage for qualifying retired employees since October 15, 1981 and has accounted for such transactions within the Retirees Hospital and Medical Trust Fund.

Retired employees that are 62 years of age or greater are entitled to purchase health insurance through the City's health plan with a substantial portion of the cost being paid by the City. Retired employees that are less than 62 years of age are entitled to purchase health insurance through the City's health plan with the employee bearing a substantial portion of the cost.

During the 2007-2008 year, the City took action to amend its previous funding level of this trust fund to its cost on "pay as you go basis". The 2007-2008 contribution was \$110,635. The City has not had an actuarial determination made of the expected future liability for this benefit.

The retiree health benefits for the Public Safety Officers are paid directly through the pension plan. As such, the plan will absorb the Public Safety portion of the cost.

NOTE K - SEWAGE DISPOSAL AGREEMENT

The City has a long-term agreement with the Iron Mountain-Kingsford Joint Sewage Authority for sewage treatment. The agreement is established by an ordinance which provides for the sewer rates, minimum monthly charges and a monthly collection fee for billing services. These rates can be adjusted periodically through ordinance amendments.

CITY OF KINGSFORD
NOTES TO FINANCIAL STATEMENTS
June 30, 2008

NOTE L - COMMITMENT

The City of Kingsford made a commitment of \$225,000 to aid in development of a tract of land along the Menominee River which is to be used for both multi-family and single family structures. The commitment was contingent on Phase I of the development being completed and is restricted to various specific portions of the development project. Phase I was completed and a reimbursement to the developer in the amount of \$145,506 was made during the year. The retained amounts are to be used primarily for further street improvements.

NOTE M - RISK MANAGEMENT

The City of Kingsford is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City of Kingsford maintains commercial insurance covering each of those risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the City. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

REQUIRED
SUPPLEMENTAL
INFORMATION

CITY OF KINGSFORD
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
Year ended June 30, 2008

	ORIGINAL BUDGET	AMENDED BUDGET	ACTUAL	VARIANCE WITH AMENDED BUDGET
Beginning Fund Balance	\$ 1,931,595	\$ 1,931,595	\$ 1,931,595	\$ 0
Resources (Inflows)				
Property taxes	2,033,520	2,033,520	2,030,935	(2,585)
Federal grants	0	0	8,000	8,000
State shared revenues and grants	620,200	620,200	611,962	(8,238)
Licenses and permits	24,000	24,000	19,271	(4,729)
Fines and forfeitures	14,500	14,500	22,861	8,361
Charges for services	150,150	150,150	178,590	28,440
Interest and rentals	471,385	471,385	460,909	(10,476)
Sale of property and supplies	43,000	43,000	46,732	3,732
Refunds and reimbursements	13,320	13,320	26,260	12,940
Insurance claim	0	0	3,812	3,812
Other	1,500	1,500	11,629	10,129
AMOUNTS AVAILABLE FOR APPROPRIATION	\$ 5,303,170	\$ 5,303,170	\$ 5,352,556	\$ 49,386
Charges to Appropriations (Outflows)				
General Government				
City council	\$ 38,335	\$ 38,335	\$ 16,666	\$ 21,669
City manager	106,985	106,985	101,129	5,856
Other administration	75,460	75,460	64,464	10,996
Elections	9,735	9,735	4,828	4,907
Assessor/Board of review	70,665	70,665	67,119	3,546
Clerk	126,140	126,140	98,532	27,608
Treasurer	76,850	76,850	77,918	(1,068)
City hall, property and grounds	58,125	58,125	45,225	12,900
Public Safety	1,535,995	1,535,995	1,499,313	36,682
Public Works				
Planning	5,340	5,340	6,982	(1,642)
Maintenance	401,000	401,000	339,862	61,138
Alleys	9,450	9,450	3,772	5,678
Sidewalks	19,495	19,495	12,974	6,521
Christmas decorations	4,830	4,830	2,883	1,947
Motor vehicle pool	133,635	133,635	128,663	4,972
Street supplies	67,190	67,190	39,239	27,951
Street lighting	52,635	52,635	44,667	7,968
Sanitation	263,335	263,335	256,293	7,042
Rubbish	103,900	103,900	69,811	34,089
Parks and Recreation	118,725	118,725	100,320	18,405
Insurance and Benefits	296,170	296,170	182,184	113,986
Leases and Rentals	500	500	401	99
Transfers to other funds	639,505	639,505	347,489	292,016
TOTAL CHARGES TO APPROPRIATIONS	\$ 4,214,000	\$ 4,214,000	\$ 3,510,734	\$ 703,266
BUDGETARY FUND BALANCE--ENDING	\$ 1,089,170	\$ 1,089,170	\$ 1,841,822	\$ 752,652

CITY OF KINGSFORD
BUDGETARY COMPARISON SCHEDULE
MAJOR STREET FUND
Year ended June 30, 2008

	<u>ORIGINAL BUDGET</u>	<u>AMENDED BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE WITH AMENDED BUDGET</u>
Beginning Fund Balance	\$ 579,662	\$ 579,662	\$ 579,662	\$ 0
Resources (Inflows)				
State shared revenues	399,540	399,540	354,839	(44,701)
Interest earned	3,500	3,500	25,863	22,363
Other	0	0	0	0
Transfers from other funds	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
AMOUNTS AVAILABLE FOR APPROPRIATION	\$ 982,702	\$ 982,702	\$ 960,364	\$ (22,338)
Charges to Appropriations (Outflows)				
Construction	\$ 256,715	\$ 256,715	\$ 122,577	\$ 134,138
Route maintenance	128,525	128,525	75,282	53,243
Traffic services	0	0	11,850	(11,850)
Signs and signals	21,035	21,035	2,498	18,537
Winter maintenance	121,380	121,380	127,479	(6,099)
Administration	30,810	30,810	1,500	29,310
Transfers to other funds	<u>0</u>	<u>0</u>	<u>76,085</u>	<u>(76,085)</u>
TOTAL CHARGES TO APPROPRIATIONS	\$ <u>558,465</u>	\$ <u>558,465</u>	\$ <u>417,271</u>	\$ <u>141,194</u>
BUDGETARY FUND BALANCE--ENDING	\$ <u><u>424,237</u></u>	\$ <u><u>424,237</u></u>	\$ <u><u>543,093</u></u>	\$ <u><u>118,856</u></u>

CITY OF KINGSFORD
BUDGETARY COMPARISON SCHEDULE
LOCAL STREET FUND
Year ended June 30, 2008

	ORIGINAL BUDGET	AMENDED BUDGET	ACTUAL	VARIANCE WITH AMENDED BUDGET
Beginning Fund Balance	\$ 41,028	\$ 41,028	\$ 41,028	\$ 0
Resources (Inflows)				
State shared revenues	127,925	127,925	124,654	(3,271)
Interest earned	0	0	163	163
Other	0	0	490	490
Transfers from other funds	<u>148,910</u>	<u>148,910</u>	<u>171,557</u>	<u>22,647</u>
AMOUNTS AVAILABLE FOR APPROPRIATION	\$ 317,863	\$ 317,863	\$ 337,892	\$ 20,029
Charges to Appropriations (Outflows)				
Construction	\$ 116,300	\$ 116,300	\$ 131,175	\$ (14,875)
Route maintenance	91,760	91,760	111,897	(20,137)
Traffic services	0	0	3,267	(3,267)
Winter maintenance	67,225	67,225	91,553	(24,328)
Administration	<u>5,800</u>	<u>5,800</u>	<u>0</u>	<u>5,800</u>
TOTAL CHARGES TO APPROPRIATIONS	\$ <u>281,085</u>	\$ <u>281,085</u>	\$ <u>337,892</u>	\$ <u>(56,807)</u>
BUDGETARY FUND BALANCE--ENDING	\$ <u><u>36,778</u></u>	\$ <u><u>36,778</u></u>	\$ <u><u>0</u></u>	\$ <u><u>(36,778)</u></u>

CITY OF KINGSFORD
BUDGETARY COMPARISON SCHEDULE
REVOLVING LOAN FUND
Year ended June 30, 2008

	<u>ORIGINAL BUDGET</u>	<u>AMENDED BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE WITH AMENDED BUDGET</u>
Beginning Fund Balance			\$ 607,208	\$ 607,208
Resources (Inflows)				
Principal repaid			80,685	80,685
Interest earned			<u>33,977</u>	<u>33,977</u>
AMOUNTS AVAILABLE FOR APPROPRIATION	BUDGET NOT PREPARED	BUDGET NOT PREPARED	\$ 721,870	\$ 721,870
Charges to Appropriations (Outflows)				
General government			\$ 1,328	\$ (1,328)
Transfers to other funds			<u>174,427</u>	<u>(174,427)</u>
TOTAL CHARGES TO APPROPRIATIONS			\$ <u>175,755</u>	\$ <u>(175,755)</u>
BUDGETARY FUND BALANCE--ENDING			\$ <u><u>546,115</u></u>	\$ <u><u>546,115</u></u>

CITY OF KINGSFORD
MERS PENSION FUNDING AND STATISTICS
JUNE 30, 2008

SCHEDULE OF FUNDING PROGRESS

<u>ACTUARIAL VALUATION DATE</u>	<u>ACTUARIAL VALUE OF ASSETS</u>	<u>ACTUARIAL ACCRUED LIABILITY</u>	<u>UNFUNDED AAL (UAAL)</u>	<u>FUNDED RATIO</u>	<u>COVERED PAYROLL</u>	<u>UAAL AS A PERCENTAGE OF COVERED PAYROLL</u>
31-Dec-05	3,991,726	4,470,841	(479,115)	89%	830,263	-58%
31-Dec-06	4,264,643	4,699,126	(434,483)	91%	838,246	-52%
31-Dec-07	4,553,937	5,060,256	(506,319)	90%	891,843	-57%

SCHEDULE OF EMPLOYER CONTRIBUTIONS:

<u>YEAR ENDED</u>	<u>ANNUAL REQUIRED CONTRIBUTION</u>	<u>PERCENTAGE CONTRIBUTED</u>
31-Dec-05	59,954	100%
31-Dec-06	74,735	100%
31-Dec-07	90,843	100%

THE INFORMATION PRESENTED ABOVE WAS DETERMINED AS PART OF THE ACTUARIAL VALUATION AT THE DATES INDICATED. ADDITIONAL INFORMATION AS OF THE LATEST ACTUARIAL VALUATION IS AS FOLLOWS:

ACTUARIAL COST METHOD	ENTRY AGE NORMAL
AMORTIZATION METHOD	LEVEL PERCENTAGE OF PAYROLL
AMORTIZATION PERIOD	25 YEARS, OPEN
ASSET VALUATION METHOD	ADJUSTED 10 YEAR SMOOTHED MARKET
ACTUARIAL ASSUMPTIONS	
INVESTMENT RATE OF RETURN	8.00%
PROJECTED SALARY INCREASES*	4.5% - 12.9%
*INCLUDES MERIT/LONGEVITY INCREASES	0% - 8.4%
INFLATION	3% - 4%
OTHER	1994 GROUP MORTALITY TABLE

CITY OF KINGSFORD
POLICE AND FIREMEN'S PENSION FUNDING AND STATISTICS
JUNE 30, 2008

SCHEDULE OF FUNDING PROGRESS

ACTUARIAL VALUATION DATE	ACTUARIAL VALUE OF ASSETS	ACTUARIAL ACCRUED LIABILITY	(UNFUNDED) OVERFUNDED ACTUARIAL LIABILITY	FUNDED RATIO	COVERED PAYROLL	UAAL AS A PERCENTAGE OF COVERED PAYROLL
30-Jun-05	9,399,300	9,333,042	66,258	101%	958,936	-
30-Jun-06	9,478,569	9,721,319	(242,750)	98%	1,068,067	23%
30-Jun-07	9,977,010	9,955,997	21,013	100%	1,073,231	-

NOTE - LIABILITY INCLUDES POST-RETIREMENT HEALTH CARE INSURANCE COSTS

SCHEDULE OF EMPLOYER CONTRIBUTIONS:

<u>YEAR ENDED</u>	<u>ANNUAL REQUIRED CONTRIBUTION</u>	<u>PERCENTAGE CONTRIBUTED</u>
30-Jun-07	222,526	100%
30-Jun-08	293,805	100%
30-Jun-09	285,029	100%

THE INFORMATION PRESENTED ABOVE WAS DETERMINED AS PART OF THE ACTUARIAL VALUATION AT THE DATES INDICATED. ADDITIONAL INFORMATION AS OF THE LATEST ACTUARIAL VALUATION IS AS FOLLOWS:

ACTUARIAL COST METHOD	ENTRY AGE NORMAL
AMORTIZATION METHOD	INDIVIDUAL ENTRY AGE
AMORTIZATION PERIOD	30 YEARS, OPEN
ASSET VALUATION METHOD	5 YEAR SMOOTHED MARKET
ACTUARIAL ASSUMPTIONS	
INVESTMENT RATE OF RETURN	7.00%
PROJECTED SALARY INCREASES*	5.2% - 8.5%
*INCLUDES MERIT/LONGEVITY INCREASES	0.2% - 4.0%
INFLATION	4.5%
COST OF LIVING ADJUSTMENT	2.50%
OTHER	2000 GROUP MORTALITY TABLE

ADDITIONAL
INFORMATION

CITY OF KINGSFORD
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENT FUNDS
June 30, 2008

	<u>SPECIAL REVENUE</u>	<u>DEBT SERVICE</u>	<u>CAPITAL PROJECTS</u>	<u>TOTAL NON-MAJOR GOVERNMENTAL FUNDS</u>
	LAND SALES, PURCHASES AND DEVELOPMENT	1998 PUBLIC WORKS DEBT SERVICE	EQUIPMENT AND CAPITAL IMPROVEMENT	
Assets				
Cash and equivalents	\$ <u>98,801</u>	\$ <u>54,132</u>	\$ <u>22,146</u>	\$ <u>175,079</u>
TOTAL ASSETS	\$ <u>98,801</u>	\$ <u>54,132</u>	\$ <u>22,146</u>	\$ <u>175,079</u>
Liabilities and Fund Equity				
Liabilities				
Due to other funds	\$ <u>0</u>	\$ <u>0</u>	\$ <u>22,146</u>	\$ <u>22,146</u>
TOTAL LIABILITIES	\$ <u>0</u>	\$ <u>0</u>	\$ <u>22,146</u>	\$ <u>22,146</u>
Fund Balance				
Unreserved, undesignated	\$ <u>98,801</u>	\$ <u>54,132</u>	\$ <u>0</u>	\$ <u>152,933</u>
TOTAL FUND EQUITY	\$ <u>98,801</u>	\$ <u>54,132</u>	\$ <u>0</u>	\$ <u>152,933</u>
TOTAL LIABILITIES AND FUND EQUITY	\$ <u>98,801</u>	\$ <u>54,132</u>	\$ <u>22,146</u>	\$ <u>175,079</u>

CITY OF KINGSFORD
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
NON-MAJOR GOVERNMENT FUNDS
Year ended June 30, 2008

	<u>SPECIAL REVENUE</u>	<u>DEBT SERVICE</u>	<u>CAPITAL PROJECTS</u>	<u>TOTAL NON-MAJOR GOVERNMENTAL FUNDS</u>
	<u>LAND SALES, PURCHASES AND DEVELOPMENT</u>	<u>1998 PUBLIC WORKS DEBT SERVICE</u>	<u>EQUIPMENT AND CAPITAL IMPROVEMENT</u>	
Revenues				
Property taxes	\$ 0	\$ 145,979	\$ 0	145,979
Land sales	28,200	0	0	28,200
Interest earned	<u>2,893</u>	<u>4,171</u>	<u>1,066</u>	<u>8,130</u>
TOTAL REVENUES	\$ 31,093	\$ 150,150	\$ 1,066	182,309
Expenditures				
General government	\$ 7,173	\$ 0	\$ 3,390	10,563
Capital outlay	0	0	215,199	215,199
Debt service	<u>0</u>	<u>145,824</u>	<u>0</u>	<u>145,824</u>
TOTAL EXPENDITURES	\$ 7,173	\$ 145,824	\$ 218,589	371,586
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	\$ 23,920	\$ 4,326	\$ (217,523)	(189,277)
Other Financing Sources (Uses)				
Transfer from other funds	\$ 0	\$ 0	\$ 203,442	203,442
Transfer to other funds	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
TOTAL OTHER FINANCING SOURCES (USES)	\$ 0	\$ 0	\$ 203,442	203,442
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	\$ 23,920	\$ 4,326	\$ (14,081)	14,165
Fund Balances - beginning	<u>74,881</u>	<u>49,806</u>	<u>14,081</u>	<u>138,768</u>
FUND BALANCE - ENDING	\$ <u>98,801</u>	\$ <u>54,132</u>	\$ <u>0</u>	<u>152,933</u>

CITY OF KINGSFORD
WATER UTILITY FUND
BALANCE SHEET
June 30, 2008 and 2007

ASSETS	<u>2008</u>	<u>2007</u>
Current Assets:		
Cash and equivalents	\$ 832,567	\$ 804,900
Accounts receivable	<u>72,144</u>	<u>69,851</u>
TOTAL CURRENT ASSETS	\$ 904,711	\$ 874,751
Restricted Assets:		
Repair and reconstruction fund	\$ 0	\$ 60,840
Bond reserve account	<u>0</u>	<u>48,064</u>
TOTAL RESTRICTED ASSETS	\$ 0	\$ 108,904
Property, plant and equipment:		
Water system	\$ 5,161,124	\$ 5,161,124
Construction in progress	68,451	0
Less accumulated depreciation	<u>(3,102,493)</u>	<u>(2,961,527)</u>
TOTAL PROPERTY, PLANT AND EQUIPMENT	\$ 2,127,082	\$ 2,199,597
TOTAL ASSETS	\$ <u>3,031,793</u>	\$ <u>3,183,252</u>
 LIABILITIES		
Current Liabilities:		
Accounts payable	\$ 3,864	\$ 8,416
Accrued payroll expenses	12,957	13,054
Accrued interest	3,607	5,580
Due to other funds	58,545	47,866
Current portion of long term debt	<u>175,295</u>	<u>165,334</u>
TOTAL CURRENT LIABILITIES	\$ 254,268	\$ 240,250
LONG TERM DEBT - Bonds payable	\$ <u>145,371</u>	\$ <u>330,666</u>
TOTAL LIABILITIES	\$ 399,639	\$ 570,916
 FUND EQUITY		
Contributed capital:		
Federal government - capital grant	\$ 325,650	\$ 356,975
Municipality	1,615,392	1,615,392
Retained earnings:		
Reserved	0	108,904
Designated	0	0
Unreserved, undesignated	<u>691,112</u>	<u>531,065</u>
TOTAL FUND EQUITY	\$ <u>2,632,154</u>	\$ <u>2,612,336</u>
TOTAL LIABILITIES AND FUND EQUITY	\$ <u>3,031,793</u>	\$ <u>3,183,252</u>

CITY OF KINGSFORD
WATER UTILITY FUND
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGS
ACTUAL, BUDGET AND PRIOR YEAR
Years ended June 30, 2008 and 2007

	<u>2007-08</u>			<u>2006-07</u>
	<u>ACTUAL</u>	<u>AMENDED BUDGET</u>	<u>VARIANCE</u>	<u>ACTUAL</u>
OPERATING REVENUES				
Charges for services:				
Water sales	\$ 437,992	\$ 401,550	\$ 36,442	\$ 419,739
Taps, thaws and shutoffs	5,137	0	5,137	2,150
Late payment penalties	<u>2,982</u>	<u>0</u>	<u>2,982</u>	<u>3,018</u>
 TOTAL OPERATING REVENUES	 \$ 446,111	 \$ 401,550	 \$ 44,561	 \$ 424,907
OPERATING EXPENSES				
Source of supply	\$ 111,021	\$ 165,515	\$ 54,494	\$ 113,584
Distribution	183,296	222,660	39,364	182,116
Clerical and administrative	50,499	44,025	(6,474)	41,619
Depreciation	<u>140,966</u>	<u>0</u>	<u>(140,966)</u>	<u>149,201</u>
 TOTAL OPERATING EXPENSES	 \$ 485,782	 \$ 432,200	 \$ (53,582)	 \$ 486,520
 NET OPERATING INCOME (LOSS)	 \$ (39,671)	 \$ (30,650)	 \$ (9,021)	 \$ (61,613)
NON-OPERATING GAINS/LOSSES				
Interest earned	\$ 31,014	\$ 4,500	\$ 26,514	\$ 51,809
Transfer from other funds	43,451	0	43,451	0
Interest expense	<u>(14,976)</u>	<u>0</u>	<u>(14,976)</u>	<u>(22,433)</u>
 NET INCOME (LOSS)	 \$ 19,818	 \$ (26,150)	 \$ 45,968	 \$ (32,237)
 Add depreciation of fixed assets acquired by capital grants	 <u>31,325</u>	 <u>0</u>	 <u>31,325</u>	 <u>31,325</u>
 INCREASE (DECREASE) IN RETAINED EARNINGS	 \$ 51,143	 \$ <u>(26,150)</u>	 \$ <u>77,293</u>	 \$ (912)
 Retained earnings - beginning	 <u>639,969</u>			 <u>640,881</u>
 RETAINED EARNINGS - ENDING	 <u>\$ 691,112</u>			 \$ <u>639,969</u>

CITY OF KINGSFORD
WATER UTILITY FUND
STATEMENT OF CASH FLOWS
Years ended June 30, 2008 and 2007

	<u>2008</u>	<u>2007</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	\$ 443,818	\$ 416,717
Payments to suppliers	(152,248)	(144,142)
Payments to or on behalf of employees	(197,217)	(201,863)
Internal activity-payments from other funds	<u>10,679</u>	<u>6,677</u>
TOTAL CASH FLOWS FROM OPERATING ACTIVITIES	\$ 105,032	\$ 77,389
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Principal and interest paid on capital debt	\$ (192,283)	\$ (32,546)
Purchases of capital assets	(68,451)	0
(Funding of)/withdrawals from restricted accounts	<u>108,904</u>	<u>(4,679)</u>
TOTAL CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	\$ (151,830)	\$ (37,225)
CASH FLOWS FROM OTHER FINANCING ACTIVITIES		
Transfers from other funds	\$ 43,451	\$ 0
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest earned	\$ <u>31,014</u>	\$ <u>51,809</u>
NET INCREASE (DECREASE) IN CASH	\$ 27,667	\$ 91,973
Cash and equivalents - beginning	<u>804,900</u>	<u>712,927</u>
CASH AND EQUIVALENTS - ENDING	\$ <u><u>832,567</u></u>	\$ <u><u>804,900</u></u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Operating income (loss)	\$ (39,671)	\$ (61,613)
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities		
Depreciation	140,966	149,201
Change in Assets and Liabilities		
Receivables - net	(2,293)	(8,190)
Accounts payable	(4,552)	(4,473)
Accrued payroll expense	(97)	(4,213)
Due to other funds	<u>10,679</u>	<u>6,677</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ <u><u>105,032</u></u>	\$ <u><u>77,389</u></u>

CITY OF KINGSFORD
BUDGETARY COMPARISON SCHEDULE
EQUIPMENT AND CAPITAL IMPROVEMENT FUND
Year ended June 30, 2008

	ORIGINAL BUDGET	AMENDED BUDGET	ACTUAL	VARIANCE WITH AMENDED BUDGET
Beginning Fund Balance	\$ 14,081	\$ 14,081	\$ 14,081	\$ 0
Resources (Inflows)				
Interest earned	0	0	1,066	1,066
Transfers from other funds	<u>694,050</u>	<u>694,050</u>	<u>203,442</u>	<u>(490,608)</u>
AMOUNTS AVAILABLE FOR APPROPRIATION	\$ 708,131	\$ 708,131	\$ 218,589	\$ (489,542)
Charges to Appropriations (Outflows)				
Professional fees	\$ 0	\$ 0	\$ 3,390	\$ (3,390)
Capital outlay				
Administration	24,000	24,000	0	24,000
Hall and grounds	29,000	29,000	11,129	17,871
Public safety	51,000	51,000	32,780	18,220
Public works - general	433,000	433,000	101,767	331,233
Public works - alleys/sidewalks	45,000	45,000	26,150	18,850
Parks and recreation	113,000	113,000	0	113,000
Community betterment	<u>0</u>	<u>0</u>	<u>43,373</u>	<u>(43,373)</u>
TOTAL CHARGES TO APPROPRIATIONS	\$ <u>695,000</u>	\$ <u>695,000</u>	\$ <u>218,589</u>	\$ <u>476,411</u>
BUDGETARY FUND BALANCE--ENDING	\$ <u><u>13,131</u></u>	\$ <u><u>13,131</u></u>	\$ <u><u>0</u></u>	\$ <u><u>(13,131)</u></u>

CITY OF KINGSFORD
BUDGETARY COMPARISON SCHEDULE
LAND SALES, PURCHASE AND DEVELOPMENT FUND
Year ended June 30, 2008

	ORIGINAL BUDGET	AMENDED BUDGET	ACTUAL	VARIANCE WITH AMENDED BUDGET
Beginning Fund Balance	\$ 74,881	\$ 74,881	\$ 74,881	\$ 0
Resources (Inflows)				
Land sales	0	0	28,200	28,200
Interest earned	500	500	2,893	2,393
Transfers from other funds	<u>275,000</u>	<u>275,000</u>	<u>0</u>	<u>(275,000)</u>
AMOUNTS AVAILABLE FOR APPROPRIATION	\$ 350,381	\$ 350,381	\$ 105,974	\$ (244,407)
Charges to Appropriations (Outflows)				
Professional fees	\$ 0	\$ 0	\$ 5,769	\$ (5,769)
Land improvements	345,000	345,000	0	345,000
Other	<u>0</u>	<u>0</u>	<u>1,404</u>	<u>(1,404)</u>
TOTAL CHARGES TO APPROPRIATIONS	\$ <u>345,000</u>	\$ <u>345,000</u>	\$ <u>7,173</u>	\$ <u>337,827</u>
	\$ <u><u>5,381</u></u>	\$ <u><u>5,381</u></u>	\$ <u><u>98,801</u></u>	\$ <u><u>93,420</u></u>

CITY OF KINGSFORD
BUDGETARY COMPARISON SCHEDULE
1998 PUBLIC WORKS DEBT SERVICE FUND
Year ended June 30, 2008

	<u>ORIGINAL BUDGET</u>	<u>AMENDED BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE WITH AMENDED BUDGET</u>
Beginning Fund Balance	\$ 49,806	\$ 49,806	\$ 49,806	\$ 0
Resources (Inflows)				
Property taxes	145,925	145,925	145,979	54
Interest earned	<u>0</u>	<u>0</u>	<u>4,171</u>	<u>4,171</u>
AMOUNTS AVAILABLE FOR APPROPRIATION	\$ 195,731	\$ 195,731	\$ 199,956	\$ 4,225
Charges to Appropriations (Outflows)				
Debt service	\$ <u>145,824</u>	\$ <u>145,824</u>	\$ <u>145,824</u>	\$ <u>0</u>
TOTAL CHARGES TO APPROPRIATIONS	\$ <u>145,824</u>	\$ <u>145,824</u>	\$ <u>145,824</u>	\$ <u>0</u>
BUDGETARY FUND BALANCE--ENDING	\$ <u><u>49,907</u></u>	\$ <u><u>49,907</u></u>	\$ <u><u>54,132</u></u>	\$ <u><u>4,225</u></u>

SCOTT R. KENNEY

Certified Public Accountant

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INDEPENDENT AUDITOR'S REPORT ON
COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS
IN ACCORDANCE WITH GOVERNMENTAL AUDITING STANDARDS

The Honorable Mayor and Council
City of Kingsford
Kingsford, MI 49802

I have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Kingsford, Michigan (City) as of and for the year ended June 30, 2008, which collectively comprise the City of Kingsford, Michigan's basic financial statements and have issued my report thereon dated October 7, 2008. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Governmental Auditing Standards, issued by the Comptroller General of the United States.

COMPLIANCE

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

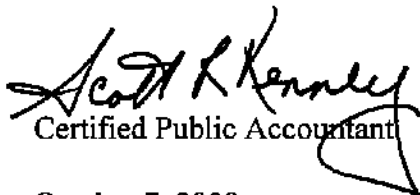
INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing my audit, I considered the City's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinions on the financial statements and not to provide assurance on the internal control over financial reporting. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts

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that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. I noted no matters involving the internal control over financial reporting and its operation that I consider to be material weaknesses. However, I noted other matters involving the internal control over financial reporting that I have reported to the management of the City in a separate letter dated October 7, 2008.

This report is intended solely for the information and use of the audit committee, management, City Council and federal awarding agencies and is not intended to be and should not be used by anyone other than those specified parties.


Certified Public Accountant

October 7, 2008

SCOTT R. KENNEY

Certified Public Accountant

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Honorable Mayor and City Council
City of Kingsford
305 South Carpenter Avenue
Kingsford, MI 49802

In conjunction with the audit of the general purpose financial statements of the City of Kingsford (City) as of and for the year ended June 30, 2008, I have reviewed the City's accounting policies and procedures and systems of internal control. My audit was conducted primarily to enable me to formulate an opinion on the City's financial statements and accordingly, would not disclose all weaknesses in the system which may exist. My review disclosed certain areas in which I believe more effective internal control or increased efficiency may be achieved. This letter is intended to summarize my findings and present my overall conclusions and recommendations. It has been prepared solely for the information of the City Council and management and should not be presented or quoted to anyone outside of the City because of the possibility of misunderstanding by other persons who may not be aware of the objectives and limitations of internal controls and my study and evaluation thereof. Statement on Audit Standard Number 112 (SAS 112) requires that I inform the City of all control deficiencies and those control deficiencies be split into one of two types. The two types of control deficiencies are "significant deficiencies" and "material weaknesses". A significant deficiency is defined as a control deficiency that has more than a remote likelihood that the entity's ability to initiate, authorize, record, process or report financial data in compliance with accounting principles generally accepted in the United States of America will be adversely affected and that such affect will be more than inconsequential. A material weakness is defined as a significant deficiency(ies) that could have a material affect on the financial statements. The first comment is repeated from the prior year's letter of comments and recommendations.

SIGNIFICANT DEFICIENCIES

1. **OBSERVATION** - Per City Council action from several years ago, the City maintains a capital project fund labeled Equipment and Capital Fund. The purpose of the fund is to fund and record expenditures for equipment and other capital projects for the City's governmental funds. Some of the City's expenditures have been recorded in the other governmental funds.

RECOMMENDATION - I recommend that all capital expenditures from the City's governmental funds, except street projects, be recorded in the Equipment and Capital Fund.

2. **OBSERVATION** - The City's policy does not presently prohibit employees cashing checks at the City. During the past year, some employees did cash personal checks at the City.

RECOMMENDATION - I recommend that a policy be adopted to prohibit the cashing of checks by anyone to help strengthen internal accounting control.

MATERIAL WEAKNESSES - None.

I would like to thank the City Council for allowing me to conduct the audit of the financial statements and I would especially like to thank the City's staff for their assistance during the audit.

If the City would like my assistance in implementing any of the above recommendations, I am willing to help in any way that I can.


Certified Public Accountant

October 7, 2008